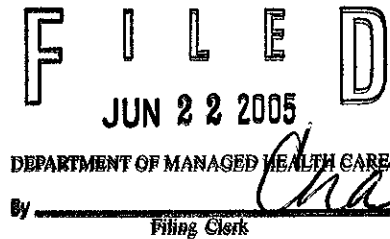


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9



10 BEFORE THE DEPARTMENT OF MANAGED HEALTH CARE  
11 OF THE STATE OF CALIFORNIA

12 IN THE MATTER OF:

DMHC No.: 04-460

13 PRUDENT CHOICE, LLC,

**ORDER RE LICENSURE**

14 Respondent.  
15  
16

17 **TO: Stephen T. Cook**  
**Prudent Choice, LLC**  
18 **2040 Main Street, No. 700**  
19 **Irvine, CA 92614**

20 The Department of Managed Health Care (the "Department") has determined that  
21 Prudent Choice, LLC, ("Prudent Choice") is operating as a health care service plan within  
22 the meaning of Health and Safety Code sections 1345(f) and 1399.5. Prudent Choice has  
23 represented through its counsel that it has agreed to file an application for licensure with the  
24 Department. Based thereon, the Department makes the following order.

25 **IT IS HEREBY ORDERED:**

- 26 1. On or before August 2, 2005, Prudent Choice shall contact the  
27 Department and obtain a login identification number and a password in  
28 order to electronically submit an application for licensure under the

1 Knox-Keene Health Care Service Plan Act of 1975, as amended, Health  
2 and Safety Code section 1340 *et seq.* (the "Knox-Keene Act").

- 3 2. On or before October 3, 2005, Prudent Choice shall file an application  
4 for licensure under the Knox-Keene Act and, if applicable, provide  
5 sufficient proof to establish an exemption or waiver pursuant to Health  
6 and Safety Code sections 1343(b) and/or 1343.5.
- 7 3. After the application for licensure is filed, Prudent Choice shall  
8 demonstrate efforts, satisfactory to the Department, to timely resolve all  
9 issues identified by the Department in the licensing process and  
10 complete the licensure process in a timely manner.
- 11 4. Within thirty (30) calendar days of the issuance of this Order, Prudent  
12 Choice shall implement operational changes necessary and sufficient for  
13 full compliance with the requirements of Health and Safety Code  
14 sections 1365(a), 1365.5, 1366, 1367(b), (c), (d), (e)(1), (f), (g) and  
15 (h)(1); 1368.02(b), 1373(a), 1379, 1381, 1384(a), (d) and (f); 1385 and  
16 1395.
- 17 5. Within thirty (30) calendar days of the issuance of this Order, Prudent  
18 Choice shall establish and submit to the Department for approval a  
19 grievance system in compliance with Health and Safety Code sections  
20 1368 and 1368.01, and California Code of Regulations, title 28, section  
21 1300.68, as applicable.
- 22 6. Within thirty (30) calendar days of the issuance of this Order, Prudent  
23 Choice shall revise, as necessary, all of its materials provided to or  
24 made available to Prudent Choice's members for full compliance with  
25 the requirements of Health and Safety Code Sections 1363 and 1363.1,  
26 and California Code of Regulations, title 28, sections 1300.63,  
27 1300.63.1, 1300.63.2 and 1300.67.4, as applicable.

28 ///

- 1           7.     Within thirty (30) days of the Department approving Prudent Choice's  
2                 grievance process established pursuant to paragraph 5 above, Prudent  
3                 Choice shall distribute all materials revised pursuant to paragraph 6  
4                 above, including disclosure of the grievance process approved by the  
5                 Department.
- 6           8.     Commencing on July 1, 2005, and continuing each month thereafter  
7                 until the licensure process is completed, Prudent Choice shall submit to  
8                 the Department a monthly report of all complaints by California  
9                 members, including the reason for each complaint and the disposition of  
10                each.
- 11          9.     Within thirty (30) calendar days of the issuance of this Order, Prudent  
12                 Choice shall submit for the Department's prior review and approval any  
13                 and all advertising and marketing materials to be used in connection  
14                 with the sale of memberships in Prudent Choice and demonstrate  
15                 compliance with Health and Safety Code §§ 1360, 1360.1 and 1361.
- 16          10.    Effective immediately, Prudent Choice shall not sell or offer any  
17                 insurance product or coverage under any group policy in connection  
18                 with the sale of memberships in Prudent Choice.
- 19          11.    Within thirty (30) calendar days from the date of the issuance of this  
20                 Order, Prudent Choice shall demonstrate to the satisfaction of the  
21                 Department, that Prudent Choice is providing a quantifiable and non-  
22                 illusory benefit to its members in California.
- 23          12.    The Department may extend the time during which Prudent Choice may  
24                 do any act enumerated herein if it is satisfied that Prudent Choice is  
25                 making reasonable progress, but this provision shall not create any  
26                 obligation, promise or expectation that time will be extended, nor shall  
27                 the fact that the Department extends time once create any expectation  
28                 that it will do so again.

1           13. The failure of any condition required during the licensure process, or as  
2           listed above, may result in the issuance of a Cease and Desist Order, as  
3           the Department deems necessary.

4           14. Unless terminated sooner or otherwise ordered, this Order shall  
5           automatically terminate upon the Department's issuance of a license  
6           under the Knox-Keene Act to Prudent Choice.

7  
8   Dated: June 22, 2005

LUCINDA EHNES, Director  
Department of Managed Health Care

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11  
12   By: 

AMY L. DOBBERTEN  
Assistant Deputy Director  
Office of Enforcement